

Integrated Waste Management Fund

M I S S I O N

T*o provide solid waste disposal and recycling services, collection of fees for those services, and City efforts to encourage reduction, reuse, and recycling of solid waste. Services provided through this fund are:*

- *Garbage collection, recycling services, public outreach, and administration;*
- *Management of the city-wide disposal contract (IDC);*
- *Customer billing and customer service*

Integrated Waste Management Fund

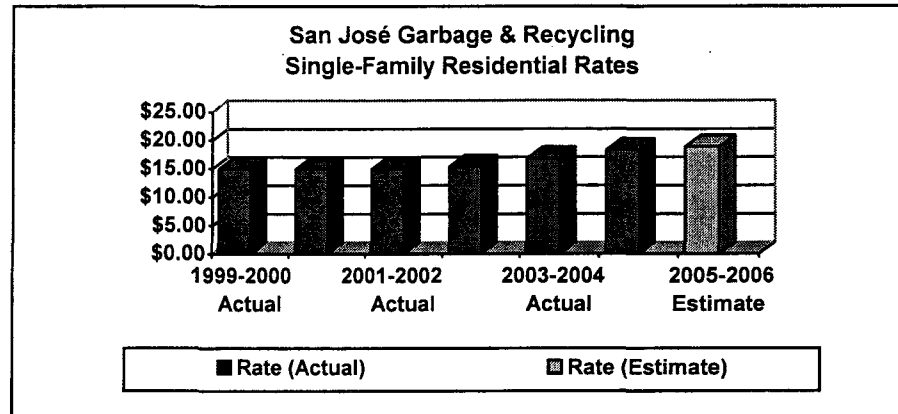
Budget Summary

	2004-2005 Adopted	2005-2006 Adopted	Change
Garbage and Recycling Services, Public Outreach, and Administrative Services	\$ 63,046,891	\$ 66,500,239	5.5%
Accounting and Lien Collection	\$ 1,278,751	\$ 1,552,374	21.4%
City-Wide Disposal Contract Mgmt.	\$ 7,991,698	\$ 9,242,123	15.6%

Budget Highlights 2005-2006

- In 2005-2006, the main activities of this fund will include: providing 40 additional curb-miles of enforced sweeping; continue working with the Finance and Information Technology Departments to implement the Consolidated Utility Billing System (formerly CUSP); and reviewing and implementing the findings from a study of the Commercial Franchise program conducted in 2004-2005.
- A continuing goal for this fund in 2005-2006 is to bring the single-family, multi-family garbage and recycling, and commercial programs to cost recovery level. In order to accomplish this, a rate increase of 3% was proposed for the first year of a three-year rate strategy. However these increases were deferred pending the outcome if the investigation of the Recycle Plus contract amendment with Norcal Waste Systems of San Jose, Inc. approved by the City Council in December 2004. Rate increase discussions are now scheduled to occur later this fiscal year.

Budget Byte



San José Garbage & Recycling Single-Family Residential Rates						
	1999- 2000	2000- 2001	2001- 2002	2002- 2003	2003- 2004	2004- 2005
Rate	<u>Actual</u> \$14.95	<u>Actual</u> \$14.95	<u>Actual</u> \$14.95	<u>Actual</u> \$15.40	<u>Actual</u> \$16.80	<u>Actual*</u> \$18.30
						<u>Est.**</u> \$18.90

* Effective August 1, 2004
 ** To be discussed by the City Council in Fall 2005

Integrated Waste Management Fund

Fund Overview

The Integrated Waste Management Fund (IWM) supports residential, commercial and civic solid waste activities, including various contracts for collection, processing and disposal. In order to ensure adequate funding for these activities, a multi-year rate increase strategy was identified by staff in the 2004-2005 budget. The first step of that plan was approved in 2004-2005 and included a 9% increase. This was to be followed by smaller cost-of-living increases in subsequent years. Sharp increases in fuel costs coupled with rising landfill disposal and regulatory costs confirm the need for continued modest rate increases to maintain cost recovery and adequate reserve levels. To address these rising costs, a specific three-year rate strategy of increases up to 5% was proposed. The increase proposed for 2005-2006 was, however, deferred due to the ongoing investigation of the Recycle Plus contract amendment with Norcal Waste Systems of San Jose, Inc. (Norcal) for additional labor costs incurred by Norcal's subcontractor, California Waste Solutions, approved by the City Council in December 2004. Rate increase discussions with the City Council are now scheduled to be taken up following the completion of the investigation process. For 2005-2006, an increase of 3% for single-family dwellings (SFD) and 2% for multi-family dwellings (MFD) had been recommended. Even with these increases, San José rates would remain below the county-wide averages for both single family and multi-family dwellings.

In preparation for the implementation of this strategy, a three-year notice advising property owners of potential rate increases of up to 5% per year for 2005-2006 through 2007-2008 was mailed to property owners in May 2005. The maximum rate increases listed in the notice may be higher than the recommendations staff will actually propose in order to allow for

unforeseen cost increases in the second and third years of the notice period.

San José's monthly service rates currently rank below the Santa Clara County average. A moderate SFD increase of approximately 3% would amount to an additional \$0.60 per month for the standard 32-gallon garbage cart, increasing the rate from \$18.30 to \$18.90. Increases to be proposed during the second and third year of the three-year rate increase notification window would be brought forward to the City Council for consideration in the budget process of those respective years. As mentioned above, even with the recommended 2005-2006 increase, San José rates would remain below the county-wide average of \$19.34 per month based on a survey of Santa Clara County cities undertaken in August 2004. Similarly, even with a 2% increase in multi-family rates, the proposed rate for a 3-cubic yard bin serviced once per week (one of the most common multi-family service levels) will be \$153.68, far lower than the county-wide average of \$211.57 per month, based on a May 2004 survey prepared by the City of Santa Clara.

In addition to increases related to rising fuel and landfill disposal costs, a funding increase of \$120,000 was approved in the Department of Transportation to continue the expansion of parking prohibition signage on street sweeping days and raise the level of cleanliness of City streets. The expansion will enable the Department of Transportation to identify and install 40 additional curb miles of signage.

Continuing in 2005-2006 will be efforts to implement a Consolidated Utility Billing System system that will replace the current billing system, provide more accurate and timely reporting, enable staff efficiencies and improve response time to customer inquiries. The new system will also address the increased

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Fund Overview (Cont'd.)

contract performance monitoring needs that are part of the new Recycle Plus contracts. The system will allow the City and contractors to more closely track performance and also to

share customer service information in real time, leading to more consistent information and improved service.

Fund Summary

	2003-2004 Actual 1	2004-2005 Adopted 2	2005-2006 Adopted 3	% Change (2 to 3)
Dollars by Sources				
Beginning Fund Balance	\$ 11,164,867	\$ 8,725,129	\$ 14,884,536	70.6%
Operating Revenues	67,211,589	70,475,634	75,900,907	7.7%
Interest and Other	641,120	389,089	517,625	33.0%
Total	\$ 79,017,576	\$ 79,589,852	\$ 91,303,068	14.7%
Dollars by Uses				
Garbage and Recycling Services, Public Outreach, and Administrative Services	\$ 55,465,334	\$ 63,046,891	\$ 66,500,239	5.5%
Accounting and Lien Collection	985,870	1,278,751	1,552,374	21.4%
City-Wide Disposal Contract Management	7,679,596	7,991,698	9,242,123	15.6%
Ending Fund Balance	14,886,776	7,272,512	14,008,332	92.6%
Total	\$ 79,017,576	\$ 79,589,852	\$ 91,303,068	14.7%

Integrated Waste Management Fund

Budget Category: Garbage and Recycling Services, Public Outreach, and Administrative Services

Budget Category Overview

This category provides overall direction to ensure achievement of City objectives related to the reduction of solid waste and waste management. The Garbage and Recycling Services unit oversees and manages the garbage and recyclables collection contracts and customer service for San José residents and franchises for businesses. This unit also designs, evaluates, and implements programs to reduce waste generated by the City; provides policy and technical analysis;

promotes programs for market development; and ensures compliance with environmental laws and permits. The Public Outreach Services unit designs, implements, and evaluates major public education outreach and marketing initiatives in support of recycling, composting, and waste reduction objectives. Administrative Services includes support services provided by various City departments, overhead to the General Fund, as well as Workers' Compensation Claims costs.

Budget Category Summary

Garbage and Recycling Services, Public Outreach, and Administrative Services	2003-2004 Actual 1	2004-2005 Adopted 2	2005-2006 Adopted 3	% Change (2 to 3)
Garbage and Recycling Services	\$ 52,146,647	\$ 59,370,314	\$ 62,931,861	6.0%
Public Outreach	564,829	602,818	577,788	(4.2%)
Administrative Services	2,753,858	3,073,759	2,990,590	(2.7%)
Total	\$ 55,465,334	\$ 63,046,891	\$ 66,500,239	5.5%

Recycle Plus contract costs will increase by an average of 5.5% in 2005-2006 due to contractual provisions for annual adjustments based on changes in indices published by the Bureau of Labor Statistics. The primary driver for this increase has been an increase in the index for fuel.

In the 3rd year of a five-year plan to address street sweeping in areas heavily impacted by parked vehicles, the additional installation of 40 miles of parking prohibition signage was approved.

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Budget Category: Garbage and Recycling Services, Public Outreach, and Administrative Services

Budget Category Summary (Cont'd.)

The following changes were approved in 2005-2006 in the Garbage and Recycling Services, Public Outreach, and Administrative Services allocations:

Adopted Allocation	2004-2005 Adopted	Change	2005-2006 Adopted
Garbage and Recycling Services	\$ 59,370,314	\$ 3,561,547	\$ 62,931,861

The changes in the 2005-2006 Adopted Budget for this category are primarily the result of contractually required cost-of-living adjustments to garbage and recycling contracts (\$2,970,798); rebudget of unexpended 2004-2005 funds in the Environmental Services Department (\$456,500); adjustments to the Norcal Waste Systems of San Jose, Inc. (Norcal) garbage and recycling contract, approved by the City Council in December 2004, to pay for additional labor costs incurred by Norcal's subcontractor, California Waste Solutions (\$250,000 - to increase the Base Budget from \$2.15 million, which was included in the 2004-2005 Adopted Operating Budget as a contingency pending the approval by the City Council of the Norcal contract amendment, to \$2.4 million annually); expansion of street sweeping enforcement signage in the Department of Transportation (\$120,040); and salary and benefits increases in the Environmental Services Department and Department of Transportation (\$56,189). These increases are partially offset by the elimination of one-time funding in the Department of Transportation for the expansion of street sweeping enforcement (\$200,000), non-personal/equipment funding shifts in the Environmental Services Department (\$21,690), a funding shift technical adjustment for Recycle Plus cashiering services staff (\$59,290), and a reduction of vehicle maintenance and operating costs in the Environmental Services Department (\$11,000).

Public Outreach	602,818	(25,030)	577,788
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The decrease in the Public Outreach category reflects a 2005-2006 Base Budget reduction of non-personal/equipment printing and advertising (\$25,030) expenditures.

Administrative Services	3,073,759	(83,169)	2,990,590
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Changes in the Administrative Services category primarily reflect decreases in General Services lease costs (\$144,583) and a shift of Purchasing functions to the Finance Department, reported in the Accounting and Lien Collection category (\$155,676). These decreases are partially offset by increases, overhead (\$95,700), non-personal/equipment increases for Oracle licenses related to the CUSP project (\$18,870), workers' compensation claims payments (\$5,200) and salary and benefits changes in the City Manager's Office, Information Technology Department and General Services Department (\$97,320).

Total Garbage and Recycling Services, Public Outreach, and Administrative Services	\$ 63,046,891	\$ 3,453,348	\$ 66,500,239
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Integrated Waste Management Fund

Budget Category: Accounting and Lien Collection

Budget Category Overview

This category provides accounting and delinquency collection services for the residential Recycle Plus program, including the Garbage Lien unit. Program staff performs revenue, expenditure and accounts receivable reconciliation.

Budget Category Summary

Accounting and Lien Collection	2003-2004 Actual 1	2004-2005 Adopted 2	2005-2006 Adopted 3	% Change (2 to 3)
Accounting and Lien Collection	\$ 985,870	\$ 1,278,751	\$ 1,552,374	21.4%
Total	\$ 985,870	\$ 1,278,751	\$ 1,552,374	21.4%

The following changes were approved in 2005-2006 in the Accounting and Lien Collection allocation:

Adopted Allocation	2004-2005 Adopted	Change	2005-2006 Adopted
Accounting and Lien Collection	\$ 1,278,751	\$ 273,623	\$ 1,552,374

The increase in Accounting and Lien Collection reflects the combined impact of: a funding shift for Recycle Plus cashing services staff (\$59,290); a funding shift of Purchasing functions into the Finance Department (\$155,676); and projected salary and benefits cost increases (\$58,657) in the Finance Department.

Total Accounting and Lien Collection	\$ 1,278,751	\$ 273,623	\$ 1,552,374
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Integrated Waste Management Fund

Budget Category: City-Wide Disposal Contract Management

Budget Category Overview

This program manages the City-Wide Disposal Agreement and pays the costs of the disposal of residential waste delivered to the Newby Island Landfill.

Budget Category Summary

City-Wide Disposal Contract Management	2003-2004 Actual 1	2004-2005 Adopted 2	2005-2006 Adopted 3	% Change (2 to 3)
City-Wide Disposal Contract Management	\$ 7,679,596	\$ 7,991,698	\$ 9,242,123	15.6%
Total	\$ 7,679,596	\$ 7,991,698	\$ 9,242,123	15.6%

San José entered into a 30-year agreement with the International Disposal Corporation of California, Inc. (IDC) in 1985 for City waste disposal services. The City successfully renegotiated changes to the agreement in 1995 in order to maximize the value of the agreement while minimizing the cost and risk to the City. The term was extended through 2020, with additional years if the site is still open. The residential disposal costs paid for from the IWM Fund are to dispose of the waste that is collected by the City's Recycle Plus contractors from single-family dwellings and multi-family dwellings. Disposal of waste generated at City facilities or by City programs, is paid from the General Fund at a lower rate.

The City's payments for residential waste delivered to the Newby Island Landfill consist of the following: an annually adjusted base rate for actual amounts of residential waste delivered to the landfill; fees and taxes that IDC must pay back to the City; State and County surcharges; and regulatory rate payments on a per-ton basis for costs resulting from changes to laws and regulations made after June 6, 1985. The City and IDC also agreed to provide for an additional extension of this agreement should the life of the landfill extend beyond December 31, 2020.

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Budget Category: City-Wide Disposal Contract Management

Budget Category Overview (Cont'd.)

The following changes were approved in 2005-2006 in the City-Wide Disposal Contract Management allocation:

Adopted Allocation	2004-2005 Adopted	Change	2005-2006 Adopted
City-Wide Disposal Contract Management	\$ 7,991,698	\$ 1,250,425	\$ 9,242,123

This increase is a result of prior year regulatory costs which the City is obligated to reimburse the landfill operators per the City's contractual agreement (\$1,000,000), and increases in contractor payment (\$250,425) for annual contract adjustments based on changes in indices published by the Bureau of Labor Statistics.

Total City-Wide Disposal Contract Management	\$ 7,991,698	\$ 1,250,425	\$ 9,242,123
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